R. R. Wile
1976

U. S. Circuit Court. Southern District of New York.

Victor Talking Machine Co.	)	
	)	In Equity
versus	)	
	)	No. 8627
American Graphophone Company	)	

Contempt Record in action brought against
American Graphophone Co.

AFFIDAVIT OF B. FEINBERG VERIFIED FOR USE IN SUIT ABOUT TO BE BROUGHT IN THE U. S. CIRCUIT COURT FOR THE DISTRICT OF NEW JERSEY BY AMERICAN GRAPHOPHONE COMPANY AGAINST VICTOR TALKING MACHINE COMPANY.

AMERICAN GRAPHOPHONE COMPANY

vs. In Equity.

VICTOR TALKING MACHINE COMPANY No 8627

AFFIDAVIT OF B. FEINBERG.

State of New York,
County of New York, SS.:

B. FEINBERG, being duly sworn, deposes and says: I am of lawful age and am a salesman in the Wholesale Department of the Columbia Phonograph Company, General, having my headquarters at 154 Nassau Street, New York City. The said "Columbia" is sales agent for the American Graphophone Co. of Bridgeport, Conn.

About May or June of last year, the said Graphophone Co. and Columbia Co., having recently had one of their patents for the production of disc sound-records sustained against the Leeds & Catlin Co., undertook to relieve the Leeds & Catlin dealers of their infringing Leeds & Catlin records, upon the basis of purchasing from said parties proportionate quantities of Leeds & Catlin records in connection with the sale to the same parties of the graphophone records. On June 5, 1909, I closed a deal by which there was sold and delivered to the Graphophone Co. a number of said Leeds & Catlin records. No such arrangement was made with the Simpson-Crawford Co. of New York City, and none of said Leeds & Catlin records were taken from the Simpson-Crawford Co.

Said Leeds & Catlin Co. records consisted mostly of discs having a sound-record upon one face thereof, known as "single-faced records". About that time, or somewhat earlier, my company had ceased to put out "single-faced records", but was putting out discs having a sound-record

on each face thereof, known as "double-faced records". In consequence, there remained on hand at the Graphophone Factory in Bridgeport, Conn., a large quantity of its single-faced records, in addition to the single-faced Leeds & Catlin records acquired as above.

Some three or four months ago I succeeded in selling to various dealers in different parts of the United States, at special terms, certain quantities of said single-faced records, it being agreed between the respective parties that said articles should not contain the name of either of my companies, but should contain the dealer's special label. Among others, our single-faced records were supplied to the Simpson-Crawford Co. of New York City. I am advised that a large part of the goods so supplied Simpson-Crawford Co. were manufactured by the Graphophone Co., and that the rest of the shipments were made up of records taken from the above-named stock of Leeds & Catlin records, for which latter records a reduction in price was allowed said Simpson-Crawford Co.

I have read that portion of the Massie affidavit which refers to the interview of Feb. 28, 1910, he and I had with the two gentlemen at the Simpson-Crawford Co. establishment on 6th Avenue & 19th Street. Mr. Massie's account of said interview is in all respects correct. I would add that the same statements had previously been made to me, on several occasions, by each of the two gentlemen whom we then met.

B. Feinberg.

Subscribed and sworn to before me,
this 1st day of March, 1910.

Ralph L. Scott,
Notary Public,
[Seal] New York County.

AFFIDAVIT OF H. A. YERKES FOR USE IN SUIT ABOUT TO BE BROUGHT IN THE UNITED STATES CIRCUIT COURT FOR THE DISTRICT OF NEW JERSEY BY THE AMERICAN GRAPHOPHONE COMPANY AGAINST VICTOR TALKING MACHINE COMPANY.

AMERICAN GRAPHOPHONE COMPANY

vs. In Equity.

VICTOR TALKING MACHINE COMPANY.

YERKES AFFIDAVIT.

State of New York,
County of New York, SS.:

H. A. YERKES, being duly sworn, deposes and says: I am and for some years have been the Manager of the Wholesale Department of the Columbia Phonograph Company (General), which is one of the selling agents of the American Graphophone Company, complainant herein. I know Mr. B. Feinberg who has made an affidavit herein for complainant. I have read said Feinberg affidavit, and the statements therein regarding the purchasing by said Graphophone Co., from Leeds & Catlin Co. dealers, of records said by them to be Leeds & Catlin disc sound-records, are true.

The deal which Mr. Feinberg closed on June 5, 1909, passed through my hands. The original factory records of my Companies are now before me and show that all of said Leeds & Catlin records were received at the Graphophone factory in Bridgeport, Conn., prior to June 17, 1909. Said records further show that none of said Leeds & Catlin sound-records were received from the Simpson-Crawford Co., of New York City.

It is further true, as stated by Mr. Feinberg, that a number of months ago my Companies ceased putting out

single-faced disc records, and confined themselves exclusively to the output of double-faced records; although we still have on hand a considerable stock of single-faced records of our own prior manufacture, as well as of the aforesaid Leeds & Catlin records obtained from former customers of said Leeds & Catlin Co.

It is likewise true, as stated by Mr. Feinberg, that within comparatively recent times arrangements have been made to supply various dealers in different parts of the United States, at special terms, with certain quantities from our said stock of single-faced records; and that, by such arrangement, it was provided that the articles so supplied should not contain the names of my Companies but the special label of the house receiving the goods. One of these houses is the Simpson-Crawford Co., of New York City; and under said arrangement the label "Sir Henri" was applied to said records at our Bridgeport factory, before the same were shipped to Simpson-Crawford Co. The latter informed me that said "Sir Henri" label was their own copyrighted Trade-Mark.

Without my knowledge, or the knowledge of said customer, some of said shipments of said "Sir Henri" records to said Simpson-Crawford Co. were taken from our said stock of Leeds & Catlin records, with the same copyrighted Sir Henri label applied thereto before shipment. The matter was brought to my attention by the customer, whereupon a reduction in price was allowed the customer with respect to the records last referred to.

Until the aforesaid deal was made with said Simpson-Crawford Co., that house was handling the disc machines and the disc records of the Victor Talking Machine Co., and was not handling any of our goods. Since we began

supplying our goods to said Simpson-Crawford Co. (and to other concerns who were formerly handling Victor goods to the exclusion of ours) said Simpson-Crawford Co. (and some of the other concerns last referred to) have been handling both Victor goods and our goods; and I have been made aware from time to time of great efforts on the part of the Victor Co. to induce said Simpson-Crawford Co. (and the other concerns referred to) to abandon our goods and handle Victor goods exclusively.

There exists, as is natural, the keenest sort of competition between ourselves and the Victor Co. in selling goods to the Department Stores and other large customers; and I have repeatedly had our negotiations with prospective customers delayed and checked, and sometimes broken off, on account of representations made by Victor agents with regard to patent-litigation, injunctions, etc. In short, the wide-spread assertions on behalf of the Victor Co., regarding their "patent-rights" have proved a great factor in increasing the difficulties of our work and in preventing the sale of our goods.

(Sgd.) H. A. Yerkes.

Subscribed and sworn to before me,
this 2nd day of March, 1910.

Ralph L. Scott,
Notary Public,
[Seal] New York County.

IN THE CIRCUIT COURT OF THE UNITED STATES.

Southern District of New York.

In Equity No. 8627.

SUIT ON BERLINER GRAMOPHONE PATENT NO. 534,543.

Victor Talking Machine Company and United States Gramophone Company,

Complainants,

vs.

American Graphophone Company,

Defendant.

RE RULE TO SHOW CAUSE WHY ATTACHMENT SHOULD NOT ISSUE FOR CONTEMPT OF COURT.

AFFIDAVIT OF ELDRIDGE R. JOHNSON ON BEHALF OF COMPLAINANTS.

Commonwealth of Pennsylvania,)
: ss:
City and County of Philadelphia.)

Eldridge R. Johnson, being duly sworn according to law deposes and says as follows:

I am President of the Victor Talking Machine Company and have been since its organization in October 1901, andhave been in close touch with all the business transactions of the Company since its organization, Relative to the agreements of December 8, 1903, and June 3, 1907, between the Victor Talking Machine Company and the American Graphophone Company, referred to in the matter of these contempt proceedings, and particu-

larly in the affidavit of Edward D. Easton, produced on behalf of the defendant, I would say that I personally had charge of this matter in negotiating these agreements with Mr. Easton of the American Graphophone Company, and that the terms of the said agreements were arranged by me, on behalf of the Victor Company, with the representatives of the American Graphophone Company, and I am very familiar with the same and the negotiations leading up to the said agreements.

One of the main objects of the agreement of December 8, 1903, was to provide against unnecessary delay in securing an adjudication of the patents, the subject-matter of the agreements, particularly the Berliner Patent No. 534,543, and in the event that this patent should be sustained, among others, that the cooperation of the American Graphophone Company should be assured in assisting to suppress all infringements of the sustained claims, and that the parties should cooperate in perfect good faith, aiding each other to maintain their respective rights when the patents should be sustained.

The agreement of June 3, 1907, was entered into after the Berliner Patent No. 534,543, had been adjudicated as valid, and the American Graphophone Company held to infringe claims 5 and 35; and said agreement of June 3, 1907, was substituted for the original agreement. Under this agreement all claims of the one party against the other for moneys or royalties, due or arising under the original agreement were set off, one against the other, as provided in paragraph 1, and it was provided (paragraph 2) that the royalties under the Berliner patent No. 534,543 and the Jones Patent No. 688,739, should be set off, one against the other, until the expiration of the Berliner patent. One of the objects of this agreement, as in the other agreement, was bona fide cooperation on the part of

the American Graphophone Company to assist in suppressing all infringements, among others, of the Berliner Patent 534,543, as provided in paragraph 14, and as further evidenced in paragraphs 13 and 16 of the agreement of June 3, 1907; the object being in this respect to suppress all infringements and to prevent infringers from disposing of their infringing goods. I would say that at the date of the execution of the agreement of June 3, 1907, the Leeds & Catlin Company had been enjoined both by the Circuit Court and Circuit Court of Appeals, and the writ of certiorari had just issued (May 31, 1907) by the Supreme Court of the United States.

The records of the Leeds & Catlin Company had been on the market and the Victor Company was spending large sums of money in litigation, in an endeavor to restrain the sale of these Leeds & Catlin records. This was the only extensive infringement in the manufacture and sale of disc records which existed at that time, and the Leeds & Catlin Company was regarded both by the American Graphophone Company and the Victor Company as their worst enemy, and the one doing the most damage and injury to both the Victor Company and to the American Graphophone Company. The American Graphophone Company was attempting to enjoin the Leeds & Catlin Company from making records also, by the process of the Jones Patent No. 688,739, also in the subject-matter of the agreement. Itwas especially understood between myself, as the representative of the Victor Talking Machine Company, and Mr. Easton, as the representative of the American Graphophone Company, at the time of the making of this contract of June 3, 1907, that every effort should be made to enjoin this infringement by the Leeds & Catlin Company

under the Berliner Patent No. 534,543, and it was certainly my understanding that the American Graphophone Company would act in good faith in suppressing this infringement of the Victor Company's patent.

The only right granted to the American Graphophone Company, under the said agreement under the Berliner Patent 534, 543, and the only right intended to be granted, was the right to operate under claim 5, to produce the apparatus of claim 35 and to sell the product. The American Graphophone Company had its factory at Bridgeport, Connecticut, where the records and machines were manufactured, the goods being sold through its selling agent the Columbia Phonograph Company, General. I would say that this right granted under this Berliner Patent, among others, to the American Graphophone Company, was not an exclusive right, and was personal to the American Graphophone Company. It was not assignable, as provided in paragraph 22, without subsequent special consent in writing, which was never granted. The purpose and object of the agreement, as far as the Berliner patent 534,543 is concerned , among others, was to permit the American Graphophone Company to manufacture under claims 5 and 35, and to sell the product manufactured by it. There was never any understanding between the representatives of the American Graphophone Company and myself, or any other rppresentative of the Victor Company, at the time of the making of either of the said agreements, that the rights granted should go beyond the right mentioned for the American Graphophone Company to manufacture under the said claims and sell its product. No such right as claimed by the defendant, to buy up and sell the goods made by others in infringement of the said claims of the Berliner patent was granted, or ever intended to be

granted by the said agreement. On the contrary, as hereinbefore stated, one of the main objects of the agreement, after the patents are sustained, was the bona fide cooperation of the parties to suppress all infringements, and not to aid or abet in any way violators of the respective patents, the subject-matter of the agreement.

Among other things, it was expressly understood between the parties at the time of the making of the agreement, relative to this patent, among others:-

(1) That the right granted should be personal to the American Graphophone Company, and not assignable.

(2) That the right granted was a non-exclusive right, and that the rights of the other licensees should be respected.

(3) That the right granted was the right to the American Graphophone Company to manufacture and to sell the product of its manufacture, and no others.

(4) That the parties should act in the utmost good faith in suppressing all infringements (paragraph 14,-see also paragraphs 13 and 16).

Paragraphs 9 to 11 of the present agreement, have no application, as contended for by Easton in his affidavit, as there are no royalties due under the said Berliner Patent.

In regard to the assertion made by Mr. Easton, in his affidavit, that the AmericanGraphophone Company for some months prior to June 1907, imported so-called Fonotipia records, manufactured aborad and sold the same in this country, I would say that the Victor Company never sanctioned such an act on

the part of the American Graphophone Company, it never had the matter called to its attention before in this connection, but I understand that the American Graphophone Company, realizing that it was violating the injunction against it, stopped the importations about June 1, 1907.

The fact that Mr. Easton alleges that the American Graphophone Company is now importing matrices from the Fonotipia Company, and that it, the American Graphophone Company, presses records in this country from the said matrices, presents a somewhat different question from that presented in these contempt proceedings. This fact can have no bearing upon the present contempt proceedings other, perhaps, than to accentuate the fact that the American Graphophone Company has been heretofore, according to its own showing, violating the injunction issued in this case.

According to the defendant's own showing it purchased the Leeds & Catlin records, complained of, in June 1909, and sold them to Simpson-Crawford Company "on the eve of the holiday season" (Easton affidavit page 13). The mandate, after the decision of the Supreme Court of the United States was filed May 25, 1909, though we contend it would have been in contempt if the acts had been committed before the date of the mandate.

Mr. Easton's affidavit endeavors to show that the defendant was acting in good faith, but it is clear that such is not the case. The defendant was notified that complainants regarded these acts as an infringement in contempt and violation of the agreement, by telegram of complainant's counsel, dated June 12, 1909, as soon as complainant's counsel learned of these acts by the defendant, and by letter of June 17, 1909,

copies of which are hereto attached. It was in the face of and subsequent to the date of these notices that the defendant took over certain of the infringing records of Leeds & Catlin Company and sold them, among others, to Simpson, Crawford Company. The defendant also sold these infringing records, among others, to Simpson Crawford Company contrary to the suggestions of Judge Lacombe in his decision filed June 28, 1909, in the case of Victor Talking Machine Company vs. Strauss, et al., where this Honorable Court suggested that this question be tested by selling a single disc and notifying the complainant of such sale. (A copy of this decision is attached to complainants' ~~motion papers~~ memorandum).

A copy of this decision was sent by Mr. Pettit to defendant's counsel, by letter of July 31, 1909, a copy of which is hereto attached. It is, therefore, apparent that the defendant was not acting in good faith in the sale of these goods, complained of, after the date of the Court's suggestion, and in face of the notices of complainants' counsel.

I also attach hereto certain correspondence of Mr. Pettit, counsel for the Victor Talking Machine Company, with the American Graphophone Company, dated July 31, 1909, complaining of certain violations of contract and bad faith on the part of the American Graphophone Company.

Eldridge R. Johnson

Sworn to and subscribed before me this 25th day of April, A. D. 1910.

Alexander Park

NOTARY PUBLIC.
Commission Expires Feb. 6, 1912
705 WITHERSPOON BLDG.,
PHILADELPHIA.

June 12, 1909

Philip Mauro,
154 Nassau St.,
New York, N. Y.

Have reliable evidence that the American Graphophone Company has been entering into arrangements with certain parties to take over disc records and machines made by infringing concerns infringing our sustained Berliner Patent and notify you that the Victor Talking Machine Company regards these acts as not only infringing but in direct violation of the agreement between the American Graphophone Company and the Victor Talking Machine Company. Must have immediate satisfactory reply.

Horace Pettit
Counsel for Victor Talking Machine Co.

June 12, 1909

American Graphophone Co.,
Bridgeport, Conn.

Have reliable evidence that your company has been entering into arrangements with certain parties to take over disc records and machines made by infringing concerns infringing our sustained Berliner patent and notify you that the Victor Talking Machine Company regards these acts as not only infringing but in direct violation of your agreement. Must have immediate satisfactory reply.

Horace Pettit,
Counsel for Victor Talking Machine Co.

Philadelphia June 17, 1909.

Messrs. Mauro, Cameron, Lewis & Massie,
Tribune Building, 154 Nassau St.,
New York, N. Y.

C. A. L. Massie, Esq.,

Dear Sir:-

Referring toyour favor of the 12th instant, you ask for additional information relative to the matter contained in my wire of that date to Mr. Philip Mauro of your firm, and a like wire of the same date to the American Graphophone Company of Bridgeport Conn. The wires referred to read as follows:

"Philip Mauro, 154 Nassau Stt, New York, N. Y.
'Have reliable evidence that the American Graphophone Company has been entering into arrangements with certain parties to take over disc records and machines made by infringing concerns infringing our sustained Berliner patent and notify you that the Victor Talking Machine Company regards these acts as not only infringing but in direct violation of the agreement between the American Graphophone Company and the Victor Talking Machine Company. Must have immediate satisfactory reply. Horace Pettit, Counsel for Victor Talking Machine Co."

I would suggest that the American Graphophone Company have full information in the matter referred to and can give you all the details. I would say, however, that what we complain of particularly is that the American Graphophone Company and its selling agents and subsidiary companies, the Columbia Phonograph Company, General, or the Columbia Phonograph Company, have been negotiating and in some cases, we are informed, have entered into certain agreements with certain concerns which have been manufacturing or selling infringing apparatus in infringement of Berliner Patent No. 534,543, belonging to my client, looking to the taking over in some cases, from said infringers, among other things, of certain of said infringing goods, in consideration of or part consideration of goods to be purchased from your clients.

I would say that such acts, whether the infringing goods were actually taken over or not by your client, are not only infringements of our Berliner Patent No. 534,543, but also in direct violation of the agreement existing between the Victor Talking Machine Company and the American Graphophone Company, dated June 3, 1907.

You will recall that in the event of this Berliner patent being sustained, it is provided that you shall give us such assistance as we desire in our efforts to suppress all infringements of the patent; on the other hand, as a matter of fact, you are aiding and abetting the infringers by encouraging them and helping them dispose of goods made and sold in infringement of the patent.

June 17, 1909.

Mauro, Cameron, Lewis & Massie. (2)

I would also add that the acquisition by your client of goods which have been made in infringement of our patents can in no manner operate to change the character of the goods from infringing to non-infringing goods, by reason of the fact that you may have a conditional license from us relative to the patent. You have no right whatsoever under the license to purchase goods from infringers made in infringement of the patent, and such goods in your hands would still be infringements. You, therefore, in handling such goods would be not only violating your contract in aiding and abetting the infringers by taking over these infringing goods, but you would be liable as well, yourselves, for infringement of patent.

These acts we regard as a gross violation of the spirit as well as the letter of the agreement, and must have immediate satisfactory reply from you as to the position of your client in the matter.

I would add that it is unnecessary for me to give you the names of the parties with whom your clients have been negotiating in these matters complained of, as they have them and are well informed in the matter.

Yours very truly,
(Sgd) Horace Pettit

P./AMW

Philadelphia July 31, 1909.

American Graphophone Co.,
Bridgeport, Conn.

E. D. Easton, Esq., Pres.,

Dear Sir:-

Referring to my correspondence and that of my client, the Victor Talking Machine Company, with you and your attorneys, regarding the complaints of the Victor Talking Machine Company relative to alleged violations on your part, of the agreement of June 3, 1907, I would call your attention to the fact thatwe have had no satisfactory responses to our complaints, and particularly to my wire of June 12, 1909, addressed to your company, and similar wire addressed to your attorney, Philip Mauro, or to my letter of June 17, 1909, addressed to your attorneys, Messrs. Mauro, Cameron, Lewis and Massie, a copy of which letter I enclose herewith, which embodies a copy of said telegram of June 12, 1909.

As these are matters which cannot be overlooked, I write you again, and among other things would call your attention to the decision of Judge Lacombe in the case of the Victor Talking Machine Company vs. Strauss, filed May 29,1909, a copy of which is herewith enclosed, which shows, among other things, that the Court would doubtless enjoin any effort on your part, as a licensee, to aid an infringing concern by taking over records or devices made in infringement of the patent in suit.

We must again present to you our formal protest against what we regard as gross violations on your part, of the contract of June 3, 1907, in thus aiding and abetting the infringement of my client's patents, the subject matter of the said agreement, especially Berliner patent #534,543,and particularly as noted and set forth in my letter of June 17, 1909 to your attorneys.

Among other things, we protest also against your acts, viz:

1. The making of certain parts of talking machines and selling them to the Regina Company for use in infringing constructions in infringement of the Berliner patent No. 534,543, and against the protest of the Victor Company.

2. The supplying of records to manufacturers of infringing machines, such as the "Star" record for use on the "Star" machine manufactured by the Hawthorne & Sheble Company inviolation of the Berliner patent 534,543, among others.

3. The supplying of records to O'Neill-James Company of Chicago, for use on infringing machines manufactured by Hawthorne & Sheble Manufacturing Company.

4. The assisting of infringers of the Berliner patent 534,543, and aiding and abetting the infringement, among other things, particularly recently, by offering to buy up from infringers such as O'Neill-James Company, Macy & Company and numerous others, infringing goods found in the possession of the defendant, in violation of sections 13 and 14 of the agreement of June 3, 1907, as well as in violation of the spirit

of the entire agreement to aid each other in suppressing all infringements after the Berliner patent had been sustained.

5. The bad faith of the American Graphophone Company in its relations toward the Victor Company in other things notably in encouraging others to infringe the Victor Company's patents, such as the Victor Company's enclosed cabinet patents, among others, the Miller reissue patent No. 12,963, issued May 25, 1909, to the Victor Company, by selling parts to other manu facturers, among others, the Regina Company, for use in said infringing cabinets, as well as for use in a machine constructed in violation of the Berliner patent 534,543, Also, among other things, the violation by the American Graphophone Company itself of the Victor Company's patents, including the said enclosed cabinet patents and numerous others.

I must request that these matters have your prompt attention and that we have your early reply.

I am sending a copy of this communication to your attorneys, Messrs. Mauro, Cameron, Lewis & Massie, Tribune Building, New York.

Yours very truly,

(Sgd) Horace Pettit

P/CW

Enc.

IN THE CIRCUIT COURT OF THE UNITED STATES
For the Southern District of New York.

VICTOR TALKING MACHINE COMPANY

vs. In Equity, No. 8627.

AMERICAN GRAPHOPHONE COMPANY

NOTICE OF MOTION.

To - Horace Pettit, Esq.,
Of Counsel for Complainant,

Messrs. Stimson & Williams,
Solicitors for Complainant,
2 Rector Street, New York City.

Gentlemen:-

PLEASE TAKE NOTICE That on the Yerkes affidavit verified herein April 9, 1910, and the Hicks affidavit verified herein April 11, 1910, copies of which have already been served upon you, and on the annexed Easton affidavit verified herein April 20, 1910, and upon the other papers already filed in this proceeding, we shall move this Court in the Court Room thereof in the Post Office Building in the Borough of Manhattan, City of New York, at the opening of the Court for the hearing of motions on Friday, April 22, 1910, or so soon thereafter as counsel can be heard, for a re-hearing of your motion to hold defendant in contempt, and for such other and further relief as equity may require.

Yours respectfully,

Dated New York,
April 20, 1910.

Of Counsel for Defendant.

Receipt of a copy of the foregoing Notice and of the annexed Easton affidavit is hereby admitted. April 20. 1910.

Horace Pettit

Solicitors and Of Counsel for Complainant.

IN THE CIRCUIT COURT OF THE UNITED STATES

For the Southern District of New York.

VICTOR TALKING MACHINE COMPANY

vs.

AMERICAN GRAPHOPHONE COMPANY.

EASTON AFFIDAVIT.

State of New York,)
: ss.:
County of New York,)

EDWARD D. EASTON, being duly sworn, deposes and says: I am, and for more than fifteen years past have been, the President of the American Graphophone Company, named as defendant herein, and also of the Columbia Phonograph Company, and of the Columbia Phonograph Company (General), selling agents of defendant. It is well known to complainant and others in the business, that the two Columbia Companies are identical in interest with defendant, and that our goods are known by the name "Columbia"; so that I shall sometimes refer to all these Companies, indiscriminately, as "defendant" or "we".

With regard to the present controversy, I shall now set out the circumstances attending the execution of the license-agreements between complainant and defendant, and the object and purpose of said agreements; how the parties have heretofore acted thereunder with respect to the Berliner Patent; and I shall show that our conduct in acquiring the Leeds & Catlin records from certain dealers, and our subsequent conduct in selling some of those records to certain other dealers, were not only entirely justified by the

letter and the spirit of our agreements with the Victor Co., but were also for the best interests of the talking-machine industry as a whole; and that we have acted throughout in the utmost good faith.

I.

Around the year 1903, we were engaged in extensive patent-litigations, among others with the complainant herein; and each party was suing or threatening to sue the other on various patents owned by it. The two interests ultimately decided that it would be to the mutual advantage of both parties and indeed of the entire talking-machine business, to come to an understanding whereby the validity and scope of our respective patents could be definitely ascertained without needless delays and controversies over technicalities, and to bring about an agreement by which each party could operate untrammeled by the enumerated patents of its adversary, even though the latter should be sustained broadly. As the result of negotiations and consultations, an understanding was finally reached, and under date of Dec. 8, 1903, we mutually executed a license-agreement which was drawn up by the Victor Co. A copy of that license-agreement of Dec. 8, 1903, was offered in evidence in the original proceedings herein, and is likewise an exhibit annexed to one of the Massie affidavits in these proceedings.

Of the various patents enumerated in said agreement, our "Jones Patent" No. 688,739, and the Victor Co's Berliner "Gramophone" Patent No. 534,543, here in suit, were sustained by the Courts; so that each party became obligated to pay royalties to the other. However, certain controversies arose as to said royalties and as to other

details under said agreement; and there were also certain litigations and threatened litigations under various additional patents of the respective parties. With the same objects in view as before, and after further negotiations and consultations between the parties, we mutually executed, under date of June 3, 1907, a substitute agreement that was likewise drawn up by the Victor Co. This latter agreement is still in force, and a copy thereof is annexed as an exhibit to the said Massie affidavit herein.

The purpose and object of this present agreement, of June 3, 1907, was to dispose of all litigations and controversies under the various patents enumerated therein, by mutual concessions, and to leave the parties free to operate under the enumerated patents of the respective interests, without any restrictions except as to the payment of royalties, and except for certain limitations expressly recited in said agreement. In fact, the payment of royalties to the Victor Co. for all our operations under the Berliner "Gramophone Patent" here in suit, are expressly set off against the royalties the Victor Co. would be owing us under our Jones Patent until the expiration of the ~~Jones~~ Berliner Patent (after which the Victor Co. is to pay us royalties); therefore, the purpose and effect of the present agreement was to enable us to operate freely and fully under said Berliner "Gramophone Patent", without any restrictions or limitations whatever except those limitations that are expressly recited in said agreement.

At the time said agreements were executed, it was the mutual understanding of both parties, as it is still the understanding of myself and my associates, that said instruments were intended to be co-extensive with the patents therein recited, and that they permitted, and in law had

the effect of permitting, each party to operate freely under the patents of the other party; and - except for the limitations expressly recited in said agreement - to operate as freely as if said patents did not exist.

For instance, with reference to the Berliner "Gramophone Patent" No. 534,543, here in suit (and similarly with regard to our Jones Patent), the understanding and intention of both parties at the time of the execution of said agreement of June, 1907, was, and our own understanding still is, as follows: Said agreement conveys to us, in general terms, unequivocable and comprehensive rights as broad as the Berliner Gramophone Patent itself, - in short, it puts us in the position as if the Berliner Patent were completely blotted out of existence; and, in like manner, equally comprehensive rights are granted the Victor Co. under our Jones Patent. Then, in derogation of said broad rights, certain specific exceptions are carved out of this general license, and reserved to the licensor. The exceptions or restrictions, in derogation of the broad rights so conveyed, are the following:

1. We (that is, defendant) are forbidden, by paragraph 22 of said agreement, to assign our license under said Berliner Patent or to grant a sub-license thereunder, without the written consent of the Victor Co.; and the Victor Co. is equally forbidden to assign or sublet its license under our Jones Patent.

2. Although the several Berliner patents under which we were licensed (or to be licensed) are for machines and records designated in said patents as "Gramophones" and "Gramophone Records", so that we should naturally be permitted to designate our licensed goods by their patent-name - "Gramophone" - yet by paragraph 19 of the agreement

we are prohibited from using the word "Gramophone" upon goods we put out under the "Gramophone patent"; and the Victor Co. is equally forbidden to use the term "Graphophone".

3. With regard to disc sound-records manufactured by third parties, a great number of such records were being manufactured ab initio by numerous competing concerns, who did their own recording and themselves carried out all the operations of producing said sound-records; but in some instances such competing persons or concerns copied or "counterfeited" sound-records originally recorded and put out by the Victor Co. or by ourselves. By paragraph 16 of said agreement we are prohibited from ourselves copying or counterfeiting each other's records, and we are prohibited from dealing in copies or counterfeits (of each other's records) made by third parties; but we are not prohibited from dealing in genuine records (not counterfeits) made by third parties.

It was not the understanding or intention of either party (certainly not of the Graphophone Co.) that our mutual licenses were limited only to manufacturing and to selling goods of our own manufacture - a mere shop-right as it were -, or that we were to be prohibited from handling goods manufactured by others. We believed, and still believe, that so far as the Berliner Patent and the Jones Patent are concerned, each party is free to operate thereunder in any and every manner it sees fit, - except where expressly forbidden by the terms of the agreement. In the original license-agreement of December, 1903, and in the substitute

agreement of June, 1907, the rotalties are based upon the number of goods sold. See paragraph 9 of the original agreement and paragraphs 9-11 ~~(and 16)~~ of the present agreement. Reading the indicated paragraphs of the present agreement, it will be seen that the question of what person or concern does the manufacturing, is utterly immaterial; the pertinent question is the quantity of goods SOLD.

With reference to the aforesaid paragraph 16 of the Victor-Graphophone agreement, when it is understood what is meant by "copying" or "counterfeiting" records, and when it is perceived that there were many other concerns manufacturing sound-records but none of them were licensed manufacturers except the Victor Company and ourselves, it will be seen that under said paragraph 16 it was contemplated and intended that each party should have the right to buy and sell and deal in sound-records made by third parties (even if the manufacturer had no license under our Jones Patent or under the Victor Co's Berliner Patent), so long as said records were not copies or counterfeits of Graphophone or Victor Records.

As to "counterfeiting": It is well known that in the production of disc sound-records, the first step is the original recording by more or less expensive artists - singers, instrumentalists, Grand Opera Stars, etc. - under the supervision and manipulation of high-priced record makers as experts, and by means of special laboratory methods and appliances that are more or less trade-secrets. The "taking" of a successful original record is a laboratory operation, that requires considerable "knack", and involves a great deal of expense. From the "original" record, a practically unlimited number of copies are

obtained by a factory procedure involving electroplating and the pressing of the electroplate into a mass of thermoplastic material, to produce the ultimate commercial disc sound-record. An unscrupulous person, getting possession of one of these commercial records on the market, can produce from it, by similar electroplating and pressing, an indefinite number of copies or "counterfeits", and at a trifling cost to himself, since he does not have to pay the "talent" for their services nor to maintain an expensive laboratory, etc. There had been in the past more or less of such counterfeiting, to the great detriment of the legitimate business, and particularly to the annoyance of the Victor Company. I refer for instance to the decision of Judge LACOMBE in Victor Talking Machine Co. vs. Armstrong (132 Fed. Rep. 711); also to Judge CHATFIELD'S decision in Fonotipia Limited et al. vs. Bradley, and in Victor Talking Machine Co. vs. Same (171 Fed. Rep. 951). The Victor Co. and ourselves, having in mind such copying or "counterfeiting", mutually agreed in paragraph 16 to do what we could to put a stop to it. We mutually agreed not to copy each other's records, and not to deal in the copied records made by other parties. This was not intended to be, and in our opinion it is not, an agreement prohibiting either party from dealing in the genuine records made from start to finish by third parties.

I have said that the Victor Co. and ourselves were the only record-manufacturers licensed under the Jones Patent and the Berliner Patent. For a considerable period prior to said Victor-Graphophone agreement, there were a number of concerns putting out disc records made by our patented Jones process and intended and adapted for use upon the particular talking-machines of the Berliner Patent

in suit; among others, I name the complainant, the defendant, the Universal Talking Machine Mfg. Co., the Leeds & Catlin Co., the American Record Co., the International Record Co., and perhaps others. Of these, the complainant and the defendant were duly licensed under the Jones and Berliner Patents; while the Universal Talking Machine Mfg. Co., although licensed under the Berliner Patent, was not licensed under our Jones Patent, and indeed was not manufacturing records at all, and had not been manufacturing any for some time. The other concerns named above were unlicensed, and were ultimately suppressed by us and the Victor Co.

In opposition to contempt proceedings brought by us last year against said Universal Talking Machine Mfg. Co. (in which we charged the latter with infringement of our Jones Patent by their unlicensed manufacture of Zonophone disc records without license from us), affidavits were presented by various officials of said Universal Co. and of said Victor Co., stating under oath that:

> "since January 21, 1907, the Victor Company has manufactured ALL records since sold by the Universal Talking Machine Manufacturing Company," (Haddon affidavit of Aug. 10, 1909, typewritten page 4); that" ALL the talking machine records sold by the" Universal Co. for a long time prior to February, 1907, "have been manufactured for the Universal Talking Machine Manufacturing Company by the Victor Talking Machine Company" (McNabb affidavit of Aug. 10, 1909, typewritten pages 1 and 2); and that this fact "was known to the American Graphophone Company, and of which fact the said American

Graphophone Company at the time was advised by the Victor Talking Machine Company" (Haddon affidavit, page 3).

And, in an affidavit, in the same proceedings, verified Aug. 10, 1909, Secretary Middleton (page 7) sets out a letter written by President Johnson of the Victor Co., under date of Feb. 8, 1907, to Mr. George W. Lyle of my Company, (and forming part of the negotiations that led to the present license-agreement of June 3, 1907). In the course of said letter (annexed to said Middleton affidavit) Mr. Johnson notified us -

> "About the time the contract [of December 8, 1903] was entered into, the Zonophone factory [meaning the factory of said Universal Co.] was closed, as we found it didn't pay. Since then the Victor Company has done the manufacturing for the Zonophone so that it is in reality a parallel case with your [meaning the Graphophone and Columbia Companies] scheme goods".

The said Haddon, McNabb, and Middleton affidavits, and others to the same effect, are understood to be on file in this Court, in the suit entitled American Graphophone Co. vs. Universal Talking Machine Mfg. Co., In Equity, No. 8056.

From the foregoing, it will appear, that of all the records manufactured or that may be manufactured by <u>any</u> concern (including the various concerns above named), we are not prohibited from dealing in any except only such of them as are copies or counterfeits of the Victor records, and the Victor Co. is prohibited from dealing in none except those copied or counterfeited from ours.

II.

It was mutually intended, and we have always understood, that we were licensed to operate freely under our respective Jones and Berliner Patents, without any restriction whatever except as to licensing others and as to refraining from handling counterfeit records, and that (and the payment of royalty to us under the Jones Patent after Feb.1911); in all other respects each party has under our Jones Patent as under the Berliner Patent, the right to handle records manufactured by third parties. For many months prior to the agreement of June, 1907, and while the original agreement of December, 1903, was yet in force, we had been importing from Europe the so-called "Fonotipia Records" manufactured in Europe by a concern known as Fonotipia Limited; and we publicly advertised and sold those goods, bearing the Fonotipia label with merely a pasted slip reciting that the Columbia Phonograph Company was the sales agent. The public and the trade generally was fully notified, by advertisements and otherwise, that said Fonotipia Records were not made by ourselves but were imported; and complainant must have been aware of the fact. Yet no objection was made by the Victor Co.; and no limitation or prohibition against handling records made by others, was introduced into the substitute agreement of June, 1907.

After about a year of such importations, our arrangements with said Fonotipia Limited were modified, so that instead of importing the Fonotipia records ready for the market, we imported the Fonotipia matrices, and the final step of pressing-up was performed by us in our own factory in this country. This later course of business was fully set out in the pleadings and proofs in Fonotipia Limited et al. vs. Bradley, above referred to (171 Fed. Rep. 951); and our papers in that suit were voluntarily submitted to

counsel for the Victor Talking Machine Company, who, after perusing the same, instituted the Victor Co's similar proceedings in the companion suit, Victor Co. vs. Bradley (171 F.R., 951); so that complainant must have been fully aware of our importing Fonotipia matrices not manufactured by ourselves. Yet complainant has never protested against either our importation of the Fonotipia records or our later importation of the Fonotipia matrices, - thus showing that complainant has always placed the same interpretation as ourselves upon the agreement, as being one which gives each party the right to deal in records manufactured by third parties (who need not have a license from complainant).

I should add that the statements made by Mr. Cromelin, in his affidavit verified herein on March 18, 1910, regarding the manner of selling talking-machines and records, are correct.

III.

In taking said Leeds & Catlin records off the hands of certain former Leeds & Catlin dealers, we acted in absolute good faith, and the transactions were well known at the time to the Victor Co. from whom we did not conceal them. We believed (as we still believe) that we were justified under our license-agreement, and that we were acting with proper regard to the spirit as well as the letter of said agreement.

At the time of said transaction, in the early part of June, 1909, our Jones Patent for the manufacture of these sound- records had recently been sustained by the Court of Appeals against said Leeds & Catlin Co., upon full proofs; and we had just entered a Decree enjoining Leeds & Catlin Co. from further manufacture of said records. Complainant's Berliner Patent had also been recently sustained against the

same Leeds & Catlin Co., but only upon affidavits and not on final hearing. Dealers throughout the country had been for many years buying and selling the records of Leeds & Catlin Co. (and of various other competing interests), apparently under the assumption that the manufacturers would not be adjudged infringers. When the two Patents were sustained against Leeds & Catlin Co., many dealers found themselves stocked up with a lot of the Leeds & Catlin records, and without any chance of getting further records from the same source; and presumptively were in a fair way to find their investments a dead loss. Such dealers were consequently in a troubled state of mind; if they undertook to sell those records for use with the swinging-arm talking-machine of the Berliner Patent, they would be adjudged contributory infringers of that Patent; while they had the possible alternative of selling them to a licensee, either the Victor Co. or ourselves. Under the license-agreement, as we have always understood it, we would have had no ground of complaint had the Victor Co. taken the said goods from the dealers.

Because we were licensed under the agreement of June, 1907, we believed we had the perfect right to take those Leeds & Catlin records off the hands of the dealers, and thereby reassure the trade. And by so doing, those dealers (who had formerly been "outlaws" as it were, engaged in handling the goods of <u>infringers</u>) were brought back into the fold, and became licensed dealers in legitimate goods manufactured and sold under license of both the Jones and the Berliner Patents.

At the time we took over said Leeds & Catlin records, we had no intention of re-selling the same. That is, we had not made any arrangement for re-selling them, nor did we at

the time contemplate doing so; although, of course, we realized that we had the perfect right to re-sell them if we saw fit. Our sale of said Leeds & Catlin records was made subsequently, and to a different concern, and was an entirely distinct and separate transaction. We have not sold any Leeds & Catlin record to any person or concern from whom we ever received any Leeds & Catlin record.

As to our subsequent sale of some of said Leeds & Catlin records, we were likewise acting in good faith, since we believed (and still believe) that we were justified by the spirit as well as the letter of the Victor-Graphophone agreement. We made said sale on the eve of the holiday season. The complainant herein, through its subsidiary Company the Universal Talking Machine Manufacturing Co. aforesaid, was at that time flooding the market with its "stencilled goods" manufactured for the said Universal Co. by said Victor Co. Those goods bore the designation "Zonophone", and were put out in the name of the Universal Co., and not in complainant's name. I have already referred to President Johnson's letter of Feb. 8, 1907, as stating that said Zonophone records are "in reality a parallel case with your [our] scheme goods".

To meet this Zonophone competition, we succeeded in selling a quantity of our own single-faced Columbia records, manufactured by ourselves in the regular manner, but which by that time had become with us an obsolete product; and - at the special request of the customer, and as contemplated by the provisions of paragraph 7 of our Victor-Graphophone license-agreement, with regard to "scheme goods" or "stencilled goods" - we placed on said records the customer's label (e.g., "Sir Henri"). And, because we believed that we were fully authorized under our license to deal freely in said Leeds & Catlin records, we likewise

sold to the same customer, and as part of the same transaction, some of our stock of Leeds & Catlin records (acquired by us as above set forth); and (still in accordance with the aforesaid paragraph 7 of the agreement, and at the request of the customer) we placed thereon the same label "Sir Henri"; and for said Leeds & Catlin records the customer was allowed a price considerably less than that charged for the goods of our own manufacture.

I repeat, that there may be no misunderstanding, that this selling transaction, shortly before Christmas of last year, was entirely distinct and separate from the purchasing of said Leeds & Catlin records, which was from other parties, and occurred during the early part of June, 1909; and that our sale was not to an adverse party engaged in defiant infringement of the patents of the two parties, but was to one of our licensed dealers, engaged in handling goods made by ourselves under our own Jones Patent and sold by us under our Berliner license.

In conclusion I can only say that we have always believed we had the perfect right to buy and sell and to deal freely in scund-records manufactured by Leeds & Catlin Co. or by any other concern; and that in these transactions we have acted in absolute good faith.

Edward D Easton

Subscribed and sworn to before
me this 20th day of April, 1910.

Ralph L. Scott,
Notary Public,

(SEAL) New York County.

Index to Contract between the Victor Talking Machine Company, and the American Graphophone Company, dated June 3-1907.

AGREEMENT made this third day of June, 1907, by and between the VICTOR TALKING MACHINE COMPANY, a corporation organized and existing under the laws of the State of New Jersey (hereinafter called "Victor Company"), and having its principal office in Camden in said State, and the AMERICAN GRAPHOPHONE COMPANY, a corporation organized and existing under the laws of the State of West Virginia, having its principal office at Bridgeport, Connecticut, (hereinafter called "Graphophone Company").

WHEREAS the Victor Company has received a license from the Berliner Gramophone Company, a corporation organized and existing under the laws of the State of Virginia, to manufacture, sell and deal in gramophones and gramophone goods, the subject-matter of certain United States Letters Patent issued to Emile Berliner, particularly Letters Patent of the United States No. 534,543, and the Graphophone Company is desirous of operating under the said patent, and

WHEREAS the Victor Company is also the owner of certain other letters patent of the United States, to wit, No. 814,786, issued March 13, 1906 to E. R. Johnson for Talking Machine, and No. 814,848, issued March 13, 1906 to E. R. Johnson for Amplifying Horn, and No. 832,896, issued October 9, 1906 to W. N. Dennison for Amplifying Horn for Talking Machine, and the Graphophone Company is desirous of operating under the said patents, provided any claims of any of the same shall be sustained, and is desirous of cooperating with the Victor Company in every lawful way to procure as speedly as possible a judicial construction of the said patents, and

WHEREAS the Graphophone Company is the owner of U. S. Patent No. 688,739, granted December 10, 1901, to one Joseph W. Jones, for a method of making zig-zag sound

records, and the Victor Company is desirous of operating under the said patent, and

WHEREAS the Graphophone Company is the owner of U. S. Patent No. 714,651, issued November 25th, 1902, to Thomas H. Macdonald, for Improvement in Recording and Reproducing Sounds, and No. 680,339, issued August 13, 1901, to Thomas H. Macdonald, for Graphophone, which last mentioned patents have not been adjudicated, so that their scope and validity have not been ascertained, and

WHEREAS the Victor Company is also desirous of securing a license under the said last mentioned patents, respectively, provided any Claim or Claims thereof which the Victor Company infringes be sustained, and is desirous of cooperating with the Graphophone Company in every lawful way to procure as speedily as possible a judicial construction of the said patents or any of them, and

WHEREAS it is the desire of both parties to settle certain differences existing between them regarding a former agreement between the said parties, dated December 8, 1903, and to settle certain issues and controversies relative thereto, and relative to the patents mentioned, and to arrive at an amicable and fair settlement and adjustment thereof.

NOW THEREFORE THIS AGREEMENT WITNESSETH that for and in consideration of the premises, and of the mutual covenants herein contained, and of the sum of one dollar each to the other in hand paid at and before the signing of these presents, the receipt of which is hereby acknowledged, the parties hereto have covenanted and agreed, and do covenant and agree as follows:

1. The claim which each party has against the other for moneys or royalties due or arising under the license agreement between them of December 8, 1903, or under any of the aforementioned patents to date, or any damages or profits relative to the same, are and shall be set off one against the other respectively and satisfied to date, and no other royalties shall be due thereunder except as hereinafter provided, it being understood and agreed that upon the execution of this present agreement the said agreement of December 8, 1903, shall be null and void.

2. No royalties shall accrue or be due or payable by the Victor Company unto the Graphophone Company for the right to manufacture under the said Jones Patent No. 688,739, until the date of expiration of the said Berliner Patent No. 534,543, and no royalties shall accrue or be due or payable by the Graphophone Company to the Victor Company until the date of expiration of the said Berliner Patent No. 534,543, it being covenanted and agreed that the royalties shall be set off one against the other up to and including the said date. After the date of expiration of the said Berliner Patent No. 534,543 the Victor Company shall pay unto the Graphophone Company for all records thereafter sold by it in the United States which shall be made under the process of the said Jones Patent No. 688,739 in the United States, a royalty of two per cent of the wholesale price, and the wholesale price shall be considered as fifty per cent. of the regular catalogue or advertised retail price, so long only, however, as the said Jones patent remains valid and is not declared invalid by the final decree of any court of competent jurisdiction.

3. In case at final hearing the Johnson patents Nos. 814,786 and 814,848 or the Dennison Patent, No.832,896, or any or all of them, shall be sustained by the Court as to any claim or claims which the Graphophone Company infringes, past royalties and damages shall be waived, and the Graphophone Company shall thereafter during the life-time of the said patent or patents, or so long as it uses the subject matter of such sustained claim or claims thereof, and so long as such sustained claim remains valid and is not declared invalid by the final decree of any court of competent jurisdiction pay unto the Victor Company royalty, at the following rates, viz: two per cent of the wholesale price, and the wholesale price shall be considered as fifty per cent of the regular catalogue or advertised retail price of the complete machine; but the payment of royalties under this clause shall in no case begin until the date of expiration of the said Berliner Patent No. 534,543.

4. In case at final hearing the Macdonald Patent No. 680,339 issued August 13, 1901, for Graphophone, shall be sustained by the Court as to claims four or five past royalties shall be waived, and the Victor Company shall thereafter, after the date of expiration of the said Berliner Patent No. 534,543, during the life-time of the said patent, and so long as it uses the subject-matter of such sustained claim or claims thereof, and so long as such sustained claim remains valid and is not declared invalid by the final decree of any court of competent jurisdiction, pay to the Graphophone Company royalties at the following rates, viz: two per cent. of the wholesale price of the complete machine, and the wholesale price shall be considered as fifty per cent. of the regular catalogue or advertised retail price.

5. The Victor Company shall have the right to manufacture, sell and deal in records constructed in accordance with the Macdonald Patent No. 714,651, without the payment of any additional royalty than that heretofore specified regarding the Jones Patent No. 688,739: in other words, two royalties shall not at any time be due upon one record under any of the patents herein. In like manner, the Graphophone Company shall not be required to pay two royalties on one machine under any of the patents mentioned herein.

6. It is understood and agreed, however, as to the Johnson Patents Nos. 814,786 and 814,848 and the Dennison Patent No. 832,896, and the Macdonald Patents Nos. 714,651 and 680,339 that no royalties shall be due by either licensee until one or more of the said patents of the said respective parties shall be sustained at final hearing and in no event shall two royalties be paid upon a single record or a single machine, under the patents herein, and the said royalties shall only continue so long as the said patents shall be held to be valid, and no royalties shall accrue or be due, or payable, until after the date of expiration of the said Berliner Patent No. 534,543.

7. In the case of scheme goods, stencilled goods, nameless goods, or goods not sold at retail in the regular manner but sold in lots at special prices, the amount paid by the customer to the factory shall be considered as the wholesale price upon which to base royalties, and no middleman's price shall be considered.

8. It is understood and agreed that the provision herein contained relative to the payment of royalties by the respective parties, shall become operative, but not before February 11, 1911, and after the decision of any infringement

suit upon final hearing, based upon any of the said patents, as herein provided for, which the parties hereto may hereafter agree in writing between themselves shall be considered as a test case, whether such case to be agreed upon as a test case shall be between the parties hereto or against other defendants.

9. It is understood and agreed that the said royalties herein provided shall apply only to goods sole in the United States. Goods exported to be used in foreign countries shall not be included under the royalty clause.

10. All goods when returned under exchange propositions shall be released from the royalties until again sold, but this shall not apply to goods returned as second-hand goods. Royalties must be paid on all goods such as are sold or delivered to stockrooms other than the stockrooms of the Graphophone Company or the stockrooms of the Victor Company or their subsidiary companies. It is not intended, however, that the royalties shall be paid on goods which constitute the regular stock of any of the companies herein mentioned and not sold. Royalties shall be paid on all goods delivered or sold under consignment agreements, but credit shall be allowed on all such goods if returned to the consignor.

11. All statements and settlements after the date of expiration of the said Berliner Patent No. 534,543 are to be made semi-annually, beginning with the even year or half year by each respective company in accordance with and after the dates on which they make their semi-annual audits, and checks in settlement of such statements must be remitted in accordance therewith not more than thirty days after said statements shall be due, and each party shall keep books of account of all such patented goods sold by it respectively to show clearly and unequivocably the quantity and value of all such goods sold, and either party may choose an independent and impartial auditor, who shall have the right to examine said books, of the other party.

12. Neither of the companies shall delay any of the infringement suits now pending or hereafter to be brought by the one company against the other, but shall do all in their power respectively to speed the said suits to final hearing and final determination, usingall lawful means to defend the said suits, the objectof this portion of the agreement being that the question of the validity of the unadjudicated patents, the subject-matter of the said suits, shall be fully tried as speedily as possible, so that their value may be known and determined at an early date. The Victor Company agrees to discontinue without prejudice the three suits now pending against the Graphophone Company in the U. S. Circuit Court for the Southern District of New York, based on the following patents respectively, viz: U. S. Patent No. 739,318 to E. R. Johnson issued September 22, 1903, for Sound Record; U. S. Patent No. 778,976, to E. R. Johnson, issued January 3, 1905 for Method of affixing Tablets to Sound Records, and U. S. Patent No. 760,606 to T. B. Birnbaum, issued May 24, 1904, Record Plate for Gramophones.

13. It is further agreed as to all patents adjudicated or to be adjudicated as valid, that the party owning or controlling such patent or patents will with due diligence actively proceed against all infringers of said patent or patents, to enjoin such infringing parties from said infringements, and for an accounting, when requested in writing to proceed against any such alleged infringers by the other party hereto.

14. Each of the parties hereto shall through their counsel, when requested by the other party, assist such other party in prosecuting infringements of said patents

sustained or to be sustained, after the same has been sustained when so requested in writing, each party bearing the expense of its own counsel, it being understood that the direction and control of said suits shall be entirely in the hands of the party bringing the suit and controlling the patent.

15. It is hereby covenanted and agreed, however, regarding the license of the Victor Company to the Graphophone Company under the said Johnson Patents, Nos. 814,786 and 814,848, and Dennison Patent No. 852,896, and as regards the license of the Graphophone Company to the Victor Company under the Macdonald Patent No. 680,339, that neither licensee shall have the right to copy the machine of its licensor, and shall not manufacture or sell any closer copy of the machines of the licensor than the licensee is now manufacturing and selling at the date of this contract. In other words, reciprocal rights hereby granted under the patents named in this contract relating to hollow arm machines, under the patents herein, do not give to either party the right to copy the detail features of construction peculiar to the machine of the other party as now made; the manufacture or sale by either licensee of a closer copy of the licensor's hollow arm machine will be construed as an infringement of the licensor's said patents.

16. It is further agreed that neither party to this contract shall copy by any method of counterfeiting or duplication any records owned or controlled or first produced by the other party, nor will they deal in or handle in any manner whatsoever such copies if made by others, and that they will cooperate to secure a discontinuance of such acts on the part of others, and to secure legislation making it illegal to copy or counterfeit records if it shall be found that the present laws do not cover the case.

17. The Graphophone Company covenants and agrees to waive, and hereby waives all claim and demand or right of recovery of damages and profits against the Universal Talking Machine Company and Universal Talking Machine Manufacturing Company which have accrued at the date of this agreement, in the suit lately decided against the latter company, and for all past infringements of the Jones Patent No. 688,739, and hereby releases the said company from all past claims and demands whatsoever relative to the said Jones Patent.

18. The three interference proceedings now pending in the United States Patent Office between Macdonald, Jetter and Gibson, Interference Nos. 25,157-A, 25,158-B and 25,653-C, shall be settled forthwith by permitting the respective patents to issue to the party or parties to whom the patents should be granted in the opinion of the Counsel for the respective parties, and a free and perpetual license to use the subject-matter of the said Interference shall be granted to the assignee of the other party or parties to said Interference.

19. Itis covenanted and agreed by and between the parties hereto, that no right is hereby granted or conferred directly or indirectly, to the Graphophone Company to use the name or word "Gramophone" in connection with talking machines, records or accessories, or in any way whatsoever, and that no right is hereby granted or conferred to the Victor Company to use the name or word "Graphophone" relative to talking machines, records or accessories, or in any way whatsoever; the right to the use of the said respective words belonging to the said respective parties, being expressly reserved in the respective parties, and each of

the parties hereto covenants and agrees that it will not use the said name or word belonging to the other party.

20. It is hereby agreed that the date of the expiration of the Berliner Patent No. 534,543 referred to in paragraphs 2, 3, 4, 6, and 11 herein shall not be construed to be earlier than February 11, 1911.

21. The words "final hearing" as used in clauses 3, 4, 6 and 8 hereof shall be taken for the purposes of this agreement to mean the hearing in the appellate court, in case an appeal be taken by the party defeated in the lower court, otherwise the hearing in the lower court.

22. The rights herein provided for shall be personal to the parties to whom the same are granted, and are not assignable, or any rights herein whatsoever, without special consent in writing of the grantor first had and obtained.

23. It is understood and agreed that this agreement is entered into as a substitute agreement for the agreement of December 8, 1903, between the same parties, which said latter agreement is cancelled and annulled.

24. This agreement shall continue and remain in force until October 9, 1923, it being understood, however, that the royalties provided to be paid on the several patents shall cease with the expiration of each patent, or upon the same being declared invalid as hereinbefore provided.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written.

Attest:
Albert C. Middleton,
Secretary.

VICTOR TALKING MACHINE COMPANY
By Eldridge R. Johnson,
President.

Attest:
E. O. Rockwood,
Secretary.

AMERICAN GRAPHOPHONE COMPANY,
By E.D.Easton,
President.

IN THE CIRCUIT COURT OF THE UNITED STATES
For the Southern District of New York.

VICTOR TALKING MACHINE CO. ET AL.

vs. In Equity.

AMERICAN GRAPHOPHONE COMPANY.

To -

HORACE PETTIT, ESQ.,
Of Counsel for above-named Complainants,
Witherspoon Building,
Philadelphia, Pa.

PLEASE TAKE NOTICE that the annexed is a copy of the Easton affidavit which we shall refer to at the hearing before Judge LACOMBE set for to-morrow, April 29, 1910, at 2.30 p. m. in the Post Office Building in the Borough of Manhattan, City of New York. The trade journals and advertisements referred to in the Easton affidavit will be produced at the hearing, and meantime can be inspected at this office.

Respectfully yours,

C. A. L. Massie.

Of Counsel for American Graphophone Co.

Dated New York City,
April 28, 1910.

IN THE CIRCUIT COURT OF THE UNITED STATES
For the Southern District of New York.

VICTOR TALKING MACHINE COMPANY

vs.

AMERICAN GRAPHOPHONE COMPANY.

EASTON AFFIDAVIT.

State of New York,)
: ss.:
County of New York,)

EDWARD D. EASTON, being duly sworn, deposes and says: I have already made an affidavit herein in connection with application for re-hearing. I have just been informed of certain statements made by Mr. Eldridge R. Johnson, in an affidavit verified herein on April 25, 1910, which call for comment.

Mr. Johnson, at the top of page 3, states that the object of the Victor-Graphophone license-agreement was

> "to suppress all infringements and to prevent infringers from disposing of their infringing goods".

So far as the persons referred to in the above quotation should in truth be infringers, and their acts real infringements, - Mr. Johnson's statement is correct; and if, by 'preventing them from disposing of their infringing goods', he means merely the usual injunction granted against further infringement, he is correct. But if he means more than that, he is mistaken; there is nothing in the written agreement itself nor in the mutual understanding and intention of the parties to support his present views. Certainly it was never our intention or understanding that we were obligated to agree that any and every article which the Victor Co. might choose to designate an "infringement"

should be regarded by us as an actual infringement; it was certainly not intended that the mere say-so of the Victor Co. should cause a non-infringing article to be regarded by ourselves as a prohibited article. With regard, therefore, to sound-records, which are not in themselves infringements of the Berliner Patent, but are merely capable of becoming contributory infringements, it was certainly not our intention or understanding that we were to be prohibited from dealing in them under our license, - provided of course, they were not counterfeits of Victor records.

Mr. Johnson manifestly concedes - as he must concede, since it is the fact - that we are licensed "to operate under" the Berliner Patent in suit. But he undertakes to assert that we are not thereby licensed to deal in records manufactured by others. To justify this argument of his as to what is meant by the license "to operate under" the Patent, he says, near the top of page 4, that the only right granted us, and the only right intended to be granted us, was

> "the right to operate under Claim 5 to produce the apparatus of Claim 35 and to sell the product".

The matter just quoted is ambiguous, if not meaningless. It would seem to mean that "the apparatus of Claim 35" is produced as the product or result of "operating under Claim 5". Of course this is not correct, because the method set forth by Claim 5 is "the method of reproducing sound", which does not yield any product or apparatus. The word "produce" used by Mr. Johnson in this connection is ambiguous: One may "produce" the apparatus of Claim 35, either by himself manufacturing each element of the Claim and then himself combining them, or by procuring each

element separately from other persons and then himself combining them to "produce" the combination-apparatus of the Claim.

On the same page Mr. Johnson states that the purpose and object of the agreement, "among others" was to permit us to manufacture (and to sell the product of our own manufacture). This is true as far as it goes, but it does not go far enough. 'Among the other' purposes and objects intended, was our right to handle product manufactured by third parties (so long as they were not counterfeits of Victor records).

It is not true, as stated by Mr. Johnson, that the parties contemplated that we were to be restricted to doing our own manufacturing; and there is nothing in the agreement itself to support this assertion.

It is not true, as stated by Mr. Johnson, page 5, under paragraph "(3)", that we should not have the right to sell records manufactured by others.

Mr. Johnson, at the top of page 6, referring to our importations of Fonotipia records, does not deny that complainant knew well of that fact: he merely says complainant "never had the matter called to its attention before in this connection". If Mr. Johnson means that the Victor Co. did not know of the fact, he must be mistaken, as I shall show below.

Mr. Johnson's 'understanding' that we ceased to import the Fonotipia records because 'we realized that we were violating the injunction' by so doing, - is absolutely incorrect. We continued importing the Fonotipia Records throughout the year 1907 and later; and the modification (whereby we imported merely the Fonotipia matrices from which to do our own pressing in this country) was made

for manifest business reasons, among others the following: When we bought the finished records from the Fonotipia, the price paid the latter included the Fonotipia's profits on the pressing-up operations (which we were able to save by doing our own pressing); furthermore, ocean-freight and duty had to be paid upon each and every record imported; whereas, by importing only the matrices, we saved the payment of freight and duty upon the thousands and thousands of records pressed up from each matrix.

Fonotipia Limited has been well known for years as a strong European concern which has been in competition with my Company and with the Victor Co. in various foreign countries; so that the Fonotipia concern itself and its so-called Fonotipia Records have for a long time been well known to complainant, who must have known that Fonotipia Records were records manufactured by the Fonotipia concern.

As showing the early publicity given the fact that we were importing records made abroad by the Fonotipia concern, I refer to an article published in the January 19, 1907, issue of "The Music Trades", stating that the well-known singer Bonci had to refuse to sing for any American talking-machine concern, because of his contract to sing for an Italian phonograph company; and announcing that our Columbia Phonograph Co. had just contracted for the exclusive sale in this country of said Bonci records.

In the January 15, 1907, issue of another trade publication, "The Talking Machine World", the announcement is made on page 35 thereof, that our Columbia Phonograph Co. had secured the exclusive sale of Signor Bonci's records, which would continue to be manufactured by the Fonotipia Co. of Milan, Italy; and that the first consignment of

these records had been sold by us before their arrival.

In still a third publication, "The Musical Age", on page 387 of the issue of January 26, 1907, is a statement that our Columbia Phonograph Co. had secured the exclusive American rights to sell records made by Signor Bonci for an Italian talking-machine concern before the tenor came to this country.

Among other published announcements, I find on page 56 of the April 15, 1907, issue of "The Talking Machine World", the advertisement put out by our Columbia Co. the "New Bonci Double-faced Disc Records", some forty or fifty different selections.

The "Music Trades", "The Musical Age", and "The Talking Machine World", are well-known trade publications, which give particular attention to talking-machine matters, "The Talking Machine World" being devoted exclusively to this industry. These journals carry advertisements of our goods and of the Victor Co's product, and it is inconceivable that the Victor Co. remained in ignorance of the foregoing announcements.

I produce and deliver to defendant's counsel a specimen of a circular advertisement put out broadcast by my Company, headed in large letters as follows: "IMPORTED DISC RECORDS from Societa Italiana Di Fonotipia, Milan, Italy. List of records on hand at Bridgeport, March 23, 1907"; also thirteen others put out with the same heading, and dated respectively May 11, May 25, June 29, Aug. 3, Aug. 17, Sept. 14, Sept. 21, Sept. 28, Oct. 5, Dec. 7, Dec. 14, Dec. 21, - all in 1907; and Jan. 18, 1908. I likewise deliver to defendant's counsel specimen of a folded circular widely disseminated by our Columbia Phono-

graph Co. in May, 1907, naming said Columbia Company as "Importers of records by" various well-known artists.

The foregoing shows what wide-spread and continuous publicity we were giving to the fact that we were openly and regularly importing disc records. Mr. Johnson must be mistaken if he thinks the Victor Co. had no knowledge of it.

Edward D Easton

Subscribed and sworn to before me,
this 28th day of April, 1910.

Ralph L. Scott
Notary Public,
New York County.

[Seal]

United States of America, ss:

The President of the United States of America,

To the Honorable the Judges of the CIRCUIT

Court of the United States for the SOUTHERN

District of NEW YORK.

GREETING:

Whereas, *lately in the* Circuit *Court of the United States for the* Southern *District of* New York, *before you, or some of you, in a cause between* Victor Talking Machine Company and another, and the American Graphophone Company, an order was entered in the office of the clerk of said court on the 10th day of May 1910 in the words and figures following, to wit:-

"And now to wit, this 10th day of May A. D., 1910, on the return of the order to show cause herein, issued out of this court on the 14th day of March 1910, why an attachment should not issue against the above named defendant American Graphophone Company, for contempt of court, by reasnn of violating and disobeying the perpetual injunction of this court issued herein out of and by the authority of this court on the 6th day of April A. D., 1906 upon the notice dated March 14, 1910, and upon the petition for the said order to show cause, verified March 12, 1910, and the exhibits attached thereto, consisting of the decree herein on final hearing, dated April 6, 1906, and the writ of perpetual injunction herein dated and served April 6, 1906, and the affidavit of David W. Evans, verified March 10, 1910, the affidavit of George W. Case, Jr., verified March 10, 1910, the affidavit of Frederick A. Blount, verified March 10, 1910, and the exhibits attached thereto, consisting of copies of Pettit-Massie letter of Feb. 15, 1910, Massie-Pettitt, letter of Feb. 19 1910, and Pettit-Massie letter of Feb/ 21, 1910, and the affidavit of Albert C. Middleton, verified March 12, 1910 and the attached exhibit, consisting of copy of writ of injunction against Leeds & Catlin Company, dated October 27, 1907 (1906) filed in support of said order, and the order obtained by the defendant, dated March 15, 1910, extending time for service of reply affidavits, the affidavit of C. A. L. Massie, verified March 14, 1910, a second affidavit of C. A. L. Massie, verified March 31, 1910, with exhibits annexed thereto and forming part of said affidavit, concisting of copies of the following papers in certain proceedings now pending in the Circuit Court of the United States for the District of New Jersey between said American Graphophone Co., and said Victor Talking Machine Co., to wit; Two orders granted by Judge Cross in said New Jersey suit, on March 21, 1910; Lyle affidavit, verified in said New Jersey suit March 19, 1910; two orders granted by Judge Cross in said New Jersey suit on March 14, 1910; affidavit of service verified in said New Jersey suit on March 4, 1910; order granted by Judge Lanning in said New Jersey suit on March 4, 1910; bill of complaint in said New Jersey suit, verified March 1, 1910, as amended March 21, 1910; Massie affidavit verified in said New Jersey suit March 1, 1910, with exhibits annexed thereto (and likewise forming part of the aforesaid Second Massie affidavit verified herein March 31, 1910) to wit, Victor-Graphophone license agreement of Dec. 8, 1903; Victor-Graphophone license-agreement of June 3, 1907; Pettit-Massie correspondence as set forth in the above named Blount's affidavit, and in addition the Massie-Pettit letter of Feb. 23, 1910, Pettit-Massie letter of Feb. 25, 1910, Feinberg affidavit, verified in said New Jersey suit March 1 1910; second Massie affidavit verified in said New Jersey suit March 2, 1910; Yerkes affidavit verified in said New Jersey suit March 2, 1910; and

the affidavit of Paul H. Cromelin, verified March 18, 1910, filed on behalf of defendant upon the return of the said order to show; and after hearing Horace Pettitt, Esq., of counsel for complainants, and C. A. L. Massie, Esq., of counsel for the defendant, and the question as to whether or not the attachment for contempt should issue against the above named defendant, having been argued on the first day of April, A. D. 1910 by said counsel for the respective parties, and due deliberation having been had, and the court having on April 6, 1910 filed a written opinion finding the said defendant to be in contempt of court and imposing a fine of $1,000.00 as a punishment for said contempt; and the said defendant by its counsel having on April 22, 1910, moved for a rehearing of complainants' motion to have the said defendant adjudged in contempt of court, which motion came on for hearing on April 29, 1910, and upon the following additional affidavits; Yerkes affidavit April 9, 1910; and Hicks affidavit, April 11, 1910; Easton affidavit verified April 20, 1910; Johnson affidavit verified April 25, 1910, with the exhibits annexed thereto; second Easton affidavit, verified April 28, 1910, and the exhibits produced therewith; and the said motion having been reargued by Richard N. Dyer, Esq., on behalf of defendant, and Horace Pettit, Esq., on behalf of complainants, and due deliberation having been had and the court having on May 6, 1910, filed the following opinion: "Upon reargument of this motion I see no reason to change the opinion heretofore expressed." it is

1. Ordered, adjudged and decreed that the said defendant American Graphophone Company has violated the said writ of perpetual injunction which issued under the order of this court on the 6th day of April 1906, which said writ was duly served upon the said defendant on the 6th day of April 1906, by purchasing and reselling disc talking machine records manufactured and sold by the Leeds & Catlin Company of New York City, N. Y., in infringement of the Berliner United States Letters patent No. 534543, in suit and has therefore committed a contempt of court.

II. It is further ordered, adjudged and decreed that said sale by the said defendant of the said Leeds & Catlin disc talking machine records was not contemplated or licensed by the terms of the contracts made by and between the parties hereto, dated December 8, 1903, and June 3, 1907, respectively; was in violation of the said agreement of June 3, 1907, and is in infringement of claims 5 and 35 of said U. S. Letters Patent No. 534543.

III. And it is further ordered, adjudged and decreed that a fine, in punishment of said contempt be and is hereby imposed upon the said defendant, American Graphophone Company, ~~[illegible]~~ of one thousand dollars ($1000,00) payable to the United States, and to be paid to the clerk of this court within five (5) days from the entry of this order, and in default of such payment that execution therefor shall issue.

E. HENRY LACOMBE, U.S.C.J."

as by the inspection of the transcript of the record of the said Court, which was brought into the United States Circuit Court of Appeals for the Second Circuit, by virtue of a writ of error *agreeably to the act of Congress,* ..... *in such case made and provided, fully and at large appears.*

And whereas, *in the present term of October, in the year of our Lord one thousand nine hundred and* ten, *the said cause came on to be heard before the said United States Circuit Court of Appeals for the Second Circuit, on the said transcript of record, and was argued by counsel:*

On consideration whereof, IT IS HEREBY

Ordered, Adjudged and Decreed,

That the order of said Circuit Court be and it hereby is reversed with costs, taxed at the sum of $263.95.

You, therefore, are hereby commanded that such further *proceedings be had in said cause,* in accordance with the decision *of this court as according to right and justice, and the laws of the United States, ought to be had, the said* writ *notwithstanding.*

Witness, *the Honorable* ~~MELVILLE W. FULLER~~ EDWARD D. WHITE, *Chief Justice of the United States, the* 22nd *day of* December, *in the year of our Lord one thousand nine hundred and* ten.

COSTS OF U.S. [illegible]

Clerk	$ 20.70
Printing Record	$ 187.40
Certifying "	$ 40.85
Attorney	$ 20.00
	$ 263.95

Clerk of the United States Circuit Court of Appeals for the Second Circuit.

Costs of *Plaintiff in Error* in No. *87*

1910. October Term—Docketing Cause and filing record, $5.00; entering	5 00
appearance, .25; filing papers; *.75* ; filing motion, .25; entering	75
order .25; cost of printing record, $*182.40*; filing copies printed	182 65
record, $2.25; transfer to calendar, $1.00; filing brief, $5.00; entering	8 25
order for mandate, $1.00; taxing costs, and copy, .45; issuing mandate,	1 45
$5.00; attorney's docket fee. $20.00; *Certifying record $40.85*	65 85
	$263 95

Test *Wm Parkin*

Clerk U. S. Circuit Court of Appeals,
Second Circuit.

Exit No 36677

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

No. *87* October Term, *1910*

American Graphophone Co., Plff in Error,

vs.

Victor Talking Machine Co., Deft in Error.

MANDATE.

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